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Participatory Local Governance and Social Enterprise: Exploring the links between social entrepreneurial behaviour and democratic resource allocation through participatory budgeting.

Abstract

Participatory Budgeting (PB) is an innovation in participatory democracy. Inspired by social and political movements for citizen participation in Brazil in the 1980s which aimed to tackle democratic deficits and target public funds at the most marginalised communities (Abers et al. 2018; Novy & Leubolt, 2005).

It has since evolved, with over 3000 reported experiences globally (Shah, 2007). PB is now expanding rapidly in Europe and the USA. With that shift it can be argued that it has moved away from primarily promoting equity and re-distribution of resources towards a focus on public participation in public service delivery (Sintomer et al., 2012), with the legitimacy that brings for government.

We explored the extent to which PB can and does support the development of the local social economy, in particular the development of social enterprises and cooperatives. Through reflecting on the longitudinal qualitative learning of some key actors in the development of Participatory Budgeting in the UK, viewed through a social economy lens, we found that Participatory Budgeting, in and of itself, stimulates the development of new cooperatives and sustained social action, but mostly in instances where this was the specific intent.

There are clear indications that Participatory Grant Making, and neighbourhood based Participatory Budgeting does stimulate civic action, build new social capital and develop agency within participating individuals, particularly in the unique form of Participatory Grant Making most common in the UK. Participatory Budgeting may generate socially entrepreneurial behaviours, and express values commonly held within social economy organisations. If a specific intention behind Participatory Budgeting was to promote a vibrant autonomous social economy it may become a useful addition to existing models to stimulate social entrepreneurship, and thus create the right conditions for the social economy to flourish.

Authors

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Introduction

This paper arises from issues identified over a period of ten years in the work of Shared Future CIC, a UK based social enterprise. Shared Future CIC is at the forefront of promoting Participatory Budgeting (PB) in the UK, and is well connected into international PB networks. Alongside supporting social enterprise development it undertakes a range of related community engagement and community development work. Both authors are founding Directors of Shared Future.

This paper demonstrates that PB can stimulate collaborative citizen action and builds social inclusion by encouraging new actors to emerge, in the form of volunteer led community associations and advocacy groups. This is particularly true of the most common form of PB in the UK; the model of participatory grant making used to distribute initiative funding. This occurs often within small well defined communities, where bidders present proposals to a community audience who then vote on which projects receive funding). PB also works towards supporting local regeneration through promoting socially minded entrepreneurial activity within localities experiencing market and state failure.

Further observations suggest that PB also encourages public sector reform, potentially towards more responsive social value-led procurement, with a focus on preventative action and economically and environmentally sustainable community action.

This paper explores whether PB (as used in the UK especially, but also more widely), does indeed enable these positive effects, and if that is because of an under-considered connection between the democratic values underpinning co-operatives (Heras-Saizarbitoria, 2014) and social enterprises (building on the work of Audebrand (1998)) by exploring the underpinning values of Participatory Budgeting.

As a paper arising from practice, it provides a basis for further discussion and highlights potential areas for further research. Empirical claims drawn from the authors' own practice are tentative at this stage. The purpose of this paper is to scope the potential of further research towards answering the question: Does Participatory Budgeting promote social entrepreneurship, the social economy and civic activism in the broadest sense, and if so, how and why? It remains an exploratory paper.

That is, by adopting PB can policy makers and leaders create conditions for collective, cooperative social entrepreneurial behaviour to emerge? Behaviours described within community development practise as the process whereby "community members come together to take collective action and generate solutions to common problems". (UNICEF, 1995)

Definitions

Participatory Budgeting (PB) is an innovation in participatory democracy. Inspired by social and political movements for citizen participation in Brazil in the 1980s which aimed to tackle democratic deficits and target public funds at the most marginalised communities (Abers et al. 2018; Novy & Leubolt, 2005).

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Shah (2007) at The World Bank, defines participatory budgeting (PB) as

a direct-democracy approach to budgeting. It offers citizens at large an opportunity to learn about government operations and to deliberate, debate, and influence the allocation of public resources. It is a tool for educating, engaging, and empowering citizens and strengthening demand for good governance.(p.1)

Peixoto (in Sjoberg et al., 2019), governance specialist for the World Bank, additionally offers 7 defining characteristics of participatory budgeting. These are: 1) Public budgets are the object of the process, or at least part of it (it is not urban planning). 2) Citizen participation has a direct impact on the budget (it is not a consultation). 3) Citizens decide on the rules governing the process. 4) The process has a deliberative element (it is not like the Swiss fiscal referendum for example). 5) A redistributive logic is embedded in the design of the process (e.g. poorest districts / areas get more money and vice-versa). 6) The process is institutionally designed to ensure that citizens can monitor public spending. 7) The process is repeated periodically (e.g. on a yearly basis).

This is, as the author agrees, an ideal situation to which few (if any) participatory budgeting processes could fully demonstrate. Given this paper primarily explores the practice of participatory budgeting within the UK context (to which one of the authors has been central in its development over nearly 20 years) we would be remiss not to report a 'UK' definition, accepted by the Department of Communities and Local Government within the PB National Strategy:

Participatory budgeting directly involves local people in making decisions on the spending and priorities for a defined public budget. PB processes can be defined by geographical area (whether that's neighbourhood or larger) or by theme.

This means engaging residents and community groups representative of all parts of the community to discuss and vote on spending priorities, make spending proposals, and vote on them, as well giving local people a role in the scrutiny and monitoring of the process and results to inform subsequent PB decisions on an annual or repeatable basis. (UK Department of Communities and Local Government (2008))

Social enterprise can be defined, reasonably non-contentiously, as the use of business methods or trading to achieve social goals (MacDonald and Howarth, 2018). As an organisational form, however, accurate definitions remain contested (Thompson, 2008). This

paper retains the approach of Borzaga and Defourney (2001) that accepts the diversity of national and regional traditions of social enterprise, using indicators drawn from Social Enterprise Scotland:

Social enterprises are innovative, independent businesses that exist to deliver a specific social and/or environmental mission. All their profits go towards their mission. Social enterprise is a dynamic, ethical and more sustainable way of doing business.
(Social Enterprise Scotland, 2019)

Zahra et al. (2009) define social entrepreneurship as “the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (p. 519). We accept this behavioural approach and identify social entrepreneurship as a set of entrepreneurial behaviours expressed to meet a social need (Abu-Saifan, 2012). In contrast to Abu-Saifan, however, we do not see the development of financially independent organisations as a prerequisite of social entrepreneurship. Through our practice we have identified many instances of socially-focussed entrepreneurial behaviours, which do not necessarily result in the setting up of structured organisations. As such our definition reflects that adopted by Dees (1998), Thompson et al. (2000) and MacDonald (2011).

In 1995 UNICEF defined community development as a process where “community members come together to take collective action and generate solutions to common problems” (UNICEF, 1995). Gilchrist and Taylor (2011) point to it being a long term, value based process whose purpose is to promote social justice and is therefore inherently political. The INFED website additionally suggest community development is perhaps best used to describe approaches which use a mix of informal education, collective action and organizational development and focus on cultivating social justice, mutual aid, local networks and communal coherence (INFED, 2019) . Moreland and Lovett (1997) saw community development as a learning process that involves people in experiences from which they will learn ways of enhancing their capacity for self-directed activity and destiny. Whether seen as a profession or a practice, community development involves:

changing the relationships between ordinary people and people in positions of power, so that everyone can take part in the issues that affect their lives. It starts from the principle that within any community there is a wealth of knowledge and experience which, if used in creative ways, can be channelled into collective action to achieve the communities “desired goals” (p.203).

Methodology

For the purpose of this exploratory paper we examined a number of exemplar PB projects, many of which the authors have been directly or indirectly involved in. We adopt an exploratory approach, as the purpose of the research is to highlight and examine a complex phenomenon that has not previously been investigated (Dart, 2004 (a)). These cases formed the focus of the enquiry to provide detail and depth. As Dart argues, in adopting a similar approach, “its goals are to develop ideas, concepts and models, rather than to portray a specific phenomenon in broadly generalisable terms” (Dart, 2004, (b) p. 296). Case study research is a valuable tool in the exploration of new phenomenon, where the goal is for new perspectives to emerge from the data studied (Strauss and Corbin, 1990; Yin, 1994; Dart, 2004 (b)). We explore a range of projects, namely:

- Shared Future’s experience of using PB as a mechanism to fund emergent social enterprises over a range of projects we have been involved with.¹
- The Scottish Governments Participatory Budgeting Initiative, which has seen an expansion in new civic activity, supported by government policy and pump-priming funding.² Having delivered PB training in nearly all of the 32 local authorities in Scotland Shared Future has been instrumental in the development of PB in Scotland and fully engaged in this initiative.
- A review of national and international experiences of PB, with a specific focus on those that had strong social economy characteristics.

Cases and source material

In the case of Shared Future’s own programmes, we concentrate here on the Latticework Social Enterprise development model, which was a model of supporting social enterprise developed by the Company specifically to assist the development of social enterprises in the Lancaster City Council municipal region of the UK. As well as delivering a range of training and development opportunities, Shared Future used the participatory grant making model of PB as part of this approach between 2011 and 2014. This project distributed over £70,000 of public funding to support the local SE economy by what we termed a “Participatory Investment Programme”.

Half the scoring was decided by the applicants. The remaining score came from a small panel of experts. The process showed democratic decision making in action and demonstrating a passion to succeed by the bidders was essential. This was in effect a type of ‘dragon’s den’ with a difference. Rather than awards being made by ‘experts’ or vertical power holders (grant-makers), the decision was made by an emerging community of social entrepreneurs and their supporters in a more horizontal fashion. As well as the financial gains participants reported positive learning, developmental and values based outcomes;

“Funding allowed us to explore how we could generate an income from providing a service as training or on a consultancy basis.”

¹ SFCIC, PB and SE: <https://sharedfuturecic.org.uk/service/latticeworks-social-enterprise-development/>

² PB Scotland: <https://www.gov.scot/publications/community-choices-fund-guidance-and-application-forms/>

“Without this type of funding our CIC might never of got off the ground”.

“Very good, very democratic and very fair”

Our learning from this and a later similar but smaller programme (funded by UnLtd) ‘Lead the Change’ is that using a PB approach can prompt socially enterprising approaches: income generating projects that are innovative, address an unmet need, stimulate resource gathering, and incentivise risk taking (Strachan and Goodall, 2016). One example of a project developed was Lancaster Aquaponics. With a small grant received through the programme, Lancaster Aquaponics were able to purchase equipment that enabled testing of this innovative horticulture technique in a Northern European temperate environment. The project subsequently involved engagement with neighbours (who donated parts of their gardens for the site) and range of local horticultural support charities working with people with learning disabilities and mental health problems (Strachan and Goodall, 2016).

Through supporting and observing many participatory grant making events the authors have seen multiple occurrences of new groups forming and later becoming established organisations. One example would be the Safe Spots project in Wythenshawe (see <https://safespots.org.uk/>). A £30,000 PB process in Wythenshawe in 2014, led by Greater Manchester Police with the aim of tackling serious and organised crime was the platform for three local women to propose their project to address domestic violence on their estate. Initially successful in attracting around £3,000 from the community voting event they went on to secure a further £50,000 from Greater Manchester Police, as well as other indirect financial support, such as a social housing unit from which to run the project. Five years on the centre continues to provide an invaluable service within its community funded by sponsorship.

In a more recent process held in Newry Mournes and Downes in 2018 (newrymournedown.org, 2018), participants reported the main benefits from being involved included: the social and community-building value of the PB, and effective access to small scale public funding. More indirect benefits for the wider community connected to adoption of new democratic channels for participation and to the creation of positive community projects. Despite a budget of only £10,500 a total of over 5,500 votes were cast on and offline on which projects the community wanted to see funded in their local area. Of the 30 Groups which participated across the district, 21 groups were successful in receiving funding.

The Scottish Government is currently leading the way in institutionalising PB within the UK. Over £3m has directly gone into civil society organisations and community anchor organisations to enable them to run their own participatory budgeting initiatives through the Community Choices fund. There is an increasing focus on social inclusion and democratic empowerment, and during 2018 a new national Charter for PB has been drafted, and due for a formal launch in late June 2019. Confidence to develop PB in Scotland has many policy drivers, linked to a range of initiatives that have built over time. Important in that evolution were a number of pilot initiatives, large and small, including the Govanhill PB discussed below.

In the Govanhill Equally Well PB process (Harkin et al 2012) £200,000 was made available. The fund was administered by the Govanhill Community Action Group (GoCA). The £200,000 of Equally Well funds were earmarked for ‘community engagement’ but the exact nature of this engagement was left to the community to decide. Through an extended deliberative process and community conversation it was agreed four projects would share the funding. The

first was the Govanhill Addictions Family Support Group with two aspects: A facility for respite for families or carers that “would help reduce stress and anxiety levels at times of family crisis. It would help reduce dependency on GP and other Primary Care services for family support and would help build a ‘caring for oor ain’ culture. It would be a community asset.” (p. 17). The second aspect of their project was education in schools delivered by those recovering from addiction.

The Govanhill Community Justice Partnership received funding to supplement existing partnership working in Govanhill to “more effectively combat unlawful landlords operating within the area... The funding is to be used to enhance the Govanhill Law Centre’s legal resources to specifically target this aspect of criminality within Govanhill” (p. 17).

The third project, the Govanhill Baths Trust received two awards. The first for capital funding to the first phase to enable the group to “... re-open the baths and at the same time contribute to the wider social, cultural and built regeneration of Govanhill as a community through our various activities” (p. 18). The second award was to undertake a series of health and wellbeing programmes towards skills and confidence building in the areas of arts, cooking and gardening. A GoCA member reported:

... we didn’t want to just throw the money out in small amounts to everybody, we wanted to be strategic about it and say these are priorities for us in the area, we want to put decent chunks of money towards them rather than saying there is a wee bit of money there and there and there, we wanted to really make things happen (p. 18)

Govanhill Baths Trust is now a successful community benefit society, operating under the Co-operative and Community Benefit Societies Act, and in May 2019 opened its Deep End arts space and social enterprise, that provides 8 artist studios generating rental income (see www.govanhillbaths.com/artists-studios-available).

Observed behaviours in PB grant making counterbalance characterisations of private, more self-orientated entrepreneurial behaviour: a rejection of heroism, avoidance of finger-pointing, moderation, valuing dialogue and fair distribution, altruism, network building, creativity, sharing stories, social concern and affirmation. Attributes that match types of social capital relationships (Kay, 2003), and in particular bridging social capital (Szreter and Woolcock, 2004) with a strengthening in the ties between individuals across social divides or between social groups.

This pattern is borne out by wider evaluations of PB in the UK. First the 2011 evaluation of the UK Department of Communities and Local Government sponsored PB National Strategy found that given the right conditions PB may:

improve individuals’ and organisations’ self-confidence in tackling neighbourhood issues and in negotiating with public sector organisations. Bring together people from different backgrounds who might not normally meet, enabling them to pool knowledge, views and experience, in order to tackle local issues. Act as a spur to people to build local voluntary and community organisations and encourage participants to get more involved in their communities, as shown by rising memberships in local organisations following Participatory Budgeting events. (UKDCLG, 2011 p.230)

A more recent evaluation of PB in Scotland (O'Hagan et al., 2019), though muted on whether outcomes, at an early stage, represent a transformation in vertical power (i.e. a top down distribution of funds from those in power to those without (Uddin et al., 2017)), found "small grants as a transactional model has had important benefits around community cohesion, transferring knowledge and awareness of local activity, if not power over resources" (p. 10). With the caveat about whether public authorities are ready to let go of power: "Established organisational and behavioural norms also impede innovation and the cultural change necessary to effect the systemic and political shift to increased community participation in budgeting and priority setting" (p. 10).

An evaluative discussion of the Scottish PB programme amongst social enterprises held in 2016, undertaken by 'PB Partners' (a practitioner body for PB expertise which is a project of Shared Future) found that PB could support development of new social enterprises, could provide small investments to kick start social enterprises and could benefit from specific social enterprise themed programmes (PB Partners, 2017). That is, participants from within social enterprises could see the benefit of a PB approach, but felt that PB programmes set up specifically for social enterprise development would be most effective.

We are left with a firm conclusion, even in the absence of more radical or scaled models of PB that are common in other countries, that within the UK (accepting its smaller scale funding and therefore its more limited potential) PB creates community wellbeing through the promotion of social capital, alongside more democratic access to local initiative funding. That relates closely to ideas and concepts of community wealth building as advocated by the Centre for Local Economic Studies (CLES, 2017). However this does not mean we underplay its potential significance in enabling social entrepreneurs and social enterprises to get started.

A more 'social' economy is here being considered, in the wider sense as not simply about building financial wealth, but also stronger networks, agency, and a valuing of democratic collective responsibilities, where common purpose is developed through practices that share values common across PB, cooperatives and social enterprise. This highlights a more pedagogical and behaviourist rationale for 'doing PB'. It highlights that PB can be more than just about transferring power vertically from public bodies down into communities over budgets or more efficient public spending. It is also fundamentally about a process of civic education around what a healthy, cooperative and enterprising community looks like and behaves.

This echoes Ostrom's (2010) behaviouralist approach to common pool resource management, with its focus on subsidiarity within nested hierarchies, group boundaries, identity and dispute resolution. It also links back towards some of the underpinning philosophical and pedagogical roots of PB in Brazil. Namely, the work of Paolo Freire (1968) in his seminal book "Pedagogy of the Oppressed", with its focus on praxis, power and social movements and the use of compelling language such as "It is necessary that the weakness of the powerless is transformed into a force capable of announcing justice. For this to happen, a total denouncement of fatalism is necessary. We are transformative beings" (Freire, 2012, p. 56)

This pattern of self-governance, education and local accountability, with considerations of social justice and the transference of power from public institutions into communities is exemplified in the comments of members of GoCA in the Govanhill process discussed above:

"I think, well, to be honest I know that there is the perception that if resources are devolved to the community that it will be a 'rammy' [unruly scramble] for the scraps [of available resource], with community members fighting tooth and nail for what is available. This is not the case. We are intelligent people that can organise ourselves appropriately. We can prioritise and we know the area and its issues." (Harkins, 2012, P.20)

"It [Govanhill pilot PB programme] might give people up there, Directors, Officers or Councillors, or the Scottish Government, or whoever the knowledge that community people can organize themselves and are able, quite capable, to spend public money very wisely... we are capable of doing it." (Ibid, P.20)

"I feel a real sense of responsibility to make sure that this funding [Equally Well PB funds] has a real impact on the lives of Govanhill residents. I feel I am responsible and accountable to the community- I mean that in a positive way." (Ibid, P.20)

From a more psychological or behavioural direction, and thinking about responses to poor mental health and indicators of a lack of community wellbeing is the intriguing idea that PB may generate 'mental capital' alongside 'social capital'. That is, generating a sense of collective mental wellbeing, trust and common purpose (McKenzie, 2014). McKenzie proposed, in direct relation to PB "A robust commitment to shared decision making could be truly transformative for the public's health. Increasing community engagement and social efficacy is key to improving mental health and decreasing inequalities in mental health" (p74). Words that speak directly to perceptions of agency, self authorisation and self awareness, grounded on a critical appreciation of power dynamics within society, and the need to build a set of skills to redress inequality. Of the tradeoffs between 'getting stuff done' versus 'including people' discussed by Vermunt and Törnblom (1996) in considering distributional versus procedural justice and different principles of justice, such as equity, equality and need.

An exploration of PB across Europe and elsewhere, utilising different models of PB to suit local custom and circumstance, supports these inferences. Within the example of Bologna , in 2018 the city won recognition from "Cities of Service Engaged Cities Award" for its city-led strategies that successfully engaged its citizens to help create and implement solutions to pressing local problems. Starting in 2014 Bologna adopted new regulations allowing residents to partner with the city to revitalize public spaces. The regulations spurred the city to establish district laboratories, where city staff and residents connect to develop citizen ideas and co-design initiatives.

The city began by adopting the "Regulation on public collaboration between citizens and the City for the care and regeneration of urban commons." This new regulation allowed citizens, informal groups of people, and private organizations to enter into contracts, or pacts, with the city to revitalize urban commons, such as public spaces, abandoned buildings, and green areas. The city provides what the citizens need – from materials and tools to business and financial planning assistance – and the citizens provide their time and their skills. The city helped citizens develop a publishing house and a children's clothing brand, and supported a cooperative of residents as they transformed an empty greenhouse complex in a park into a co-working space, start-up incubator, childcare centre, café, garden, and entertainment space open to the public.

The Mayor of Bologna also established a Civic Imagination Office, which oversees the labs and works to boost citizen participation, and opened up a participatory budgeting process. This allows all residents to propose and vote on the citizen-led projects that they most want to see come to life. Over 14000 residents voted in the first (2017) PB programme, which funded 6 projects totalling 1m Euro.

Or as proposed by Cabannes and Delgado (2015), a wide range of international PB experiences are considered within the frame of social action. For example Cabannes notes:

While relations between PB and CLTs are not as direct as those with urban agriculture and housing cooperatives, it is worth noting that in cities like Chicago, participatory budgeting has developed in parallel with Community Land Trusts. Though they do not connect yet, their respective promoters and champions recently expressed the mutual benefit that would result from connecting these initiatives, as they are based on “shared ethical values primarily community ownership of the process (Page 17).

Cabannes and Delgado go on to describe many other relationships between PB and what can be loosely described as the social economy. Including the establishment of alternative currencies, self help projects and social action. They highlight the establishment of self-managed housing and cooperatives in Belo Horizonte (Page 69). Also in the Guarulhos experience the implementation, since 2005, of a popular education program in partnership with the Paulo Freire Institute, geared directly toward PB. (Page 80).

Discussion

Whilst a correlation between PB and the development of the social economy does not prove that one caused the other, it does show how similar behaviours and modes of operation exist simultaneously and have the potential to support each other.

It is important not to forget the more transformational models of PB, that emanated from Brazil, and have more recently become part of grass root responses to austerity and the 2009 financial crisis within the En Comu and Podemos movements. This use of PB as an overtly transformational tool align with if not perfectly map onto Albert and Hahnel's (1991) theories of participatory economics, an economic system based on participatory decision making.

We conclude that while there is evidence of clear and demonstrable benefits to adopting a PB approach in the support of local social economy initiatives, including the development of social enterprises and cooperative models of working, unless that was the specific intention of the programme, these benefits are not predictable. We propose that public finances that aim to promote community-led commissioning of social enterprise activity through applying participatory budgeting principles should actively promote social enterprise models in their PB programmes. This might be otherwise described as participatory budgeting for, with and by social enterprise. The recent commissioning of Shared Future as a delivery organisation for Co-operatives UK's 'Empowering People' programme, using a PB approach, indicates that PB could impact positively on the development of co-operative solutions to social need, in a similar way to social enterprise focussed programmes, but this will be an area for further research upon project completion.

We find the lens of Common Pool Resource Management (Ostrom, 2010) provides a useful lens for exploring and explaining the phenomenon of additional social entrepreneurial behaviour emerging from and within the practice of participatory budgeting. As Ostrom argues:

The central question ... is how a group of principals who are in an interdependent situation can organize and govern themselves to obtain continuing joint benefits when all face temptations to free-ride, shirk, or otherwise act opportunistically (p.29)

We contend that PB provides a tool to achieve just such aims. Yet without specific design choices being made by those actors in the design phase of the PB programme these enterprising outcomes will tend to be implicit, or observed by-products and outcomes, rather than measurable and explicit outputs.

The authors recognise and acknowledge the limitations of this paper. By adopting a case study approach, we limit ourselves to exemplars of success and the generalisability of our findings are therefore limited. We feel this paper highlights the potential for PB to promote social economy solutions to meet community-identified unmet need and identify a need for further, more empirical and theoretical research in this field.

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